GOVERNMENT OF INDIA
MICRO,SMALL AND MEDIUM ENTERPRISES
LOK SABHA

STARRED QUESTION NO:406
ANSWERED ON:06.08.2014
CREDIT FLOW TO MSME SECTOR
Kachhadia Shri Naranbhai

Will the Minister of MICRO,SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) the details of the schemes under implementation to facilitate easy flow of credit to Micro, Small and Medium Enterprises (MSMEs) Sector;

(b) whether the credit flow to the MSME sector has been adequate;

(c) if so, the details thereof along with the quantum of credit sanctioned / availed by MSME sector during each of the last three years and the current year, State/UT-wise; and

(d) the efforts made / being made to promote and develop MSME sector along with improving credit flow to them?

Answer

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI KALRAJ MISHRA)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) IN RESPECT OF THE LOK SABHA STARRED QUESTION NO. 406 FOR ANSWER ON 06.08.2014

(a) to (d): As per the Prime Minister's Task Force Report on MSMEs (2010), the banks shall have to achieve 20 per cent year-on-year growth in credit to micro and small enterprises (MSEs), 10 per cent annual growth in the number of micro enterprise accounts and banks shall allocate 60 per cent of the MSE advances to the micro enterprises.

As a consequence, the total credit availability to the MSMEs is Rs.10,34,775.99 crore as on March 2014 as per Reserve Bank of India (latest available data). In addition, to facilitate easy flow of credit to Micro, Small and Medium Enterprises (MSMEs), the Government launched Credit Guarantee Fund Scheme for Micro and Small Enterprises in August, 2000 under which guarantee cover is provided for collateral free credit extended to micro and small enterprise (MSEs). The Reserve Bank of India (RBI) has issued guidelines in May, 2010, which mandatorily require banks to dispense with collateral requirement for loans upto Rs.10.00 lakh to MSEs. The Ministry also implements Prime Minister's Employment Generation Programme and Credit Linked Capital Subsidy Scheme, wherein margin money and capital subsidy respectively bring down the effective cost of loan.

Credit flow to MSE sector has shown a significant growth of 10.27% and 30.23% at the end of March, 2012 and 2013 respectively as per Reserve Bank of India data. Statewise outstanding credit to MSE sector by Scheduled Commercial Banks for the last three years as at the end of March, 2011, 2012 & 2013 (latest available) are given at Annexure.

In spite of such significant growth, the need for credit flow to MSME Sector is more.

The Government is promoting MSME sector in the area of credit, marketing, infrastructure, technology, skill development and competiveness through implementing various schemes namely, Credit Guarantee Fund Scheme, Performance and Credit Rating Scheme, Marketing Development Programme, MSC-Cluster Development, Credit Linked Capital Subsidy Scheme, Entrepreneurship Development Programme, National Manufacturing Competiveness Programme etc. Further, to facilitate easy flow of credit to MSME sector, the Reserve Bank of India (RBI) has issued detailed guidelines to all scheduled commercial banks on lending to the MSME sector which, inter alia, provide for a time frame for disposal of loan applications, loan limit for dispensing the collateral requirement and earmarking for micro enterprises within the micro and small enterprise (MSE) lending.